

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 L-03 FEA-02 TRSE-00 CAB-09

CIAE-00 COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 RSC-01

FAA-00 DRC-01 /054 W

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R 172035Z JUN 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6920

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E.O. 11652: N/A

TAGS: ETRN, XX

SUBJ: CIVAIR--FOREIGN GOVERNMENT SUBSIDIES TO AIRLINES

REF: STATE 079306

1. THIS EMBASSY HAS INVESTIGATED SITUATION IN ARGENTINA CONCERNING SUBJECT AS THOROUGHLY AS SEEMS POSSIBLE AT PRESENT TIME. WE FIND THAT GOA HAS PROVIDED BOTH DIRECT AND INDIRECT OFFICIAL ASSISTANCE TO AEROLINEAS ARGENTINAS, THE GOVERNMENT-OWNED AIRLINE. IT IS AEROLINEAS ARGENTINAS THAT PRINCIPALLY OPERATES ABROAD AS THE OFFICIAL ARGENTINE-FLAG CARRIER.

2. DIRECT ASSISTANCE TO AEROLINEAS FROM GOA TREASURY IS RECORDED AS HAVING EXCEEDED \$17 MILLION IN CY-72 AND TOTALLED \$13.8 MILLION IN 1973. IN THESE YEARS, FROM 2/3 TO ALL OF THE DIRECT GOA CONTRIBUTION WAS SHOWN AS DESTINED TO ASSIST AEROLINEAS IN BUYING EQUIPMENT. THE GOA HAS ALREADY BUDGETED IN EXCESS OF US\$3 MILLION TO HELP AEROLINEAS COVER EXPECTED CURRENT DEFICITS FOR CY-74. THIS FIGURE IS LIKELY TO GROW RATHER THAN DIMINISH.

3. AS A GOVERNMENT ENTITY AEROLINEAS HAS AVAILABLE TO IT INDIRECT ASSISTANCE FROM ARGENTINE OFFICIAL BANKS WHO HAVE IN THE PAST GUARANTEED CREDIT SOUGHT AND RECEIVED BY AEROLINEAS FOR THE LIMITED OFFICIAL USE

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PURPOSE OF PURCHASING EQUIPMENT. CREDITORS INCLUDE THE US

EXIM BANK AND US EQUIPMENT MANUFACTURERS. WE DO NOT HAVE AVAILABLE DATE WHICH SHOW THE TOTALS OF SUCH ASSISTANCE IN THE PAST. THIS TYPE OF ASSISTANCE SHOULD BE CONSIDERED GOA ASSISTANCE BECAUSE OFFICIAL BANKS WHEN GIVING THEIR GUARANTEES COMMIT THE ARGENTINE TREASURY TO MAKE PAYMENT IF THE BANKS ARE UNABLE TO DO SO. THEORETICALLY, SUCH ASSISTANCE HAS NO LIMIT. MAJOR DECISIONS BY AEROLINEAS TO PURCHASE EQUIPMENT ARE TAKEN AFTER REVIEW BY THE GOA FOR IT IS COMMONLY UNDERSTOOD THAT AEROLINEAS WILL REQUIRE FINANCIAL ASSISTANCE WHENEVER ANY MAJOR PURCHASES ARE MADE. IT IS A MOOT POINT WHETHER SUCH GUARANTEES ENABLE AEROLINEAS TO RECEIVE CREDITS AT LESS THAN COMMERCIAL RATES. THE BULK OF SUCH OPERATIONS HAVE BEEN CONDUCTED WITH THE US EXIM BANK WHICH OPERATES AT STIPULATED RATES. THE FACT IS THAT IN RECENT YEARS AEROLINEAS ARGENTINAS WOULD NOT HAVE BEEN ELIGIBLE ON THE BASIS OF CREDIT WORTHINESS FOR SUCH EXIM BANK LENDING WITHOUT GOA GUARANTEES.

4. EMBASSY DOES NOT BELIEVE THAT AEROLINEAS RECEIVES OTHER INDIRECT ASSISTANCE SUCH AS TYPES MENTIONED PARA 4, REFETEL.

5. THERE ARE TWO ARGENTINE AIRLINES THAT PERFORM CHARTER FLIGHT SERVICE INTERNATIONALLY. WE ARE NOT AWARE THAT EITHER OF THESE PRIVATE LINES RECEIVES ANY GOA ASSISTANCE.

6. THE ARGENTINE AIRLINE, AUSTRAL, FLIES ON INTERNATIONAL ROUTES ONLY TO URUGUAY. IT HAS BEEN A PRIVATELY-OWNED AIRLINE FOR MANY YEARS AND 100 PER CENT ARGENTINE-OWNED SINCE 1970 WHEN THE 18 PER CENT US OWNERSHIP WAS SOLD. AUSTRAL HAS RECEIVED A GOVERNMENT-SUBSIDY MOST YEARS IN THE PAST BUT THIS SUBSIDY IS HEAVILY CRITICIZED AND HAS BEEN DIMINISHED IN RECENT YEARS. WE BELIEVE IT WILL SOON DISAPPEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, SUBSIDIES, AIRLINES, CENTRAL GOVERNMENT, CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS04456
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740157-0947
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740640/aaaabifp.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 079306
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <19 FEB 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR--FOREIGN GOVERNMENT SUBSIDIES TO ARILINES
TAGS: ETRN, XX, US, AR, AEROLINEAS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005